

Overview & Update

Federal Health Care Reform

Alaska Health Care Commission Meeting

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Alaska Health Care Commission

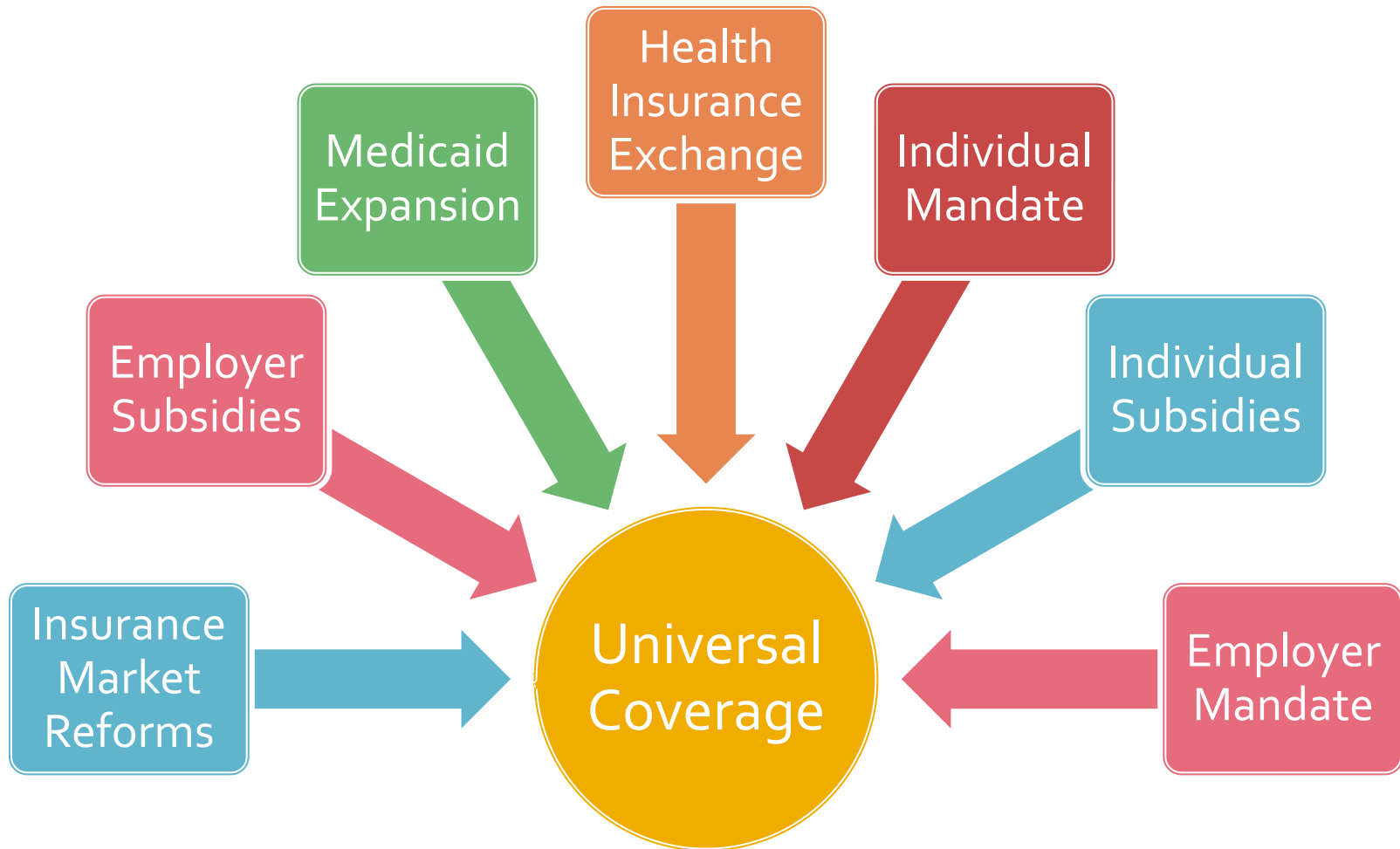
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Structure of the Act

- Patient Protection & Affordable Care Act (P.L. 111-148) enacted March 2010, as amended by
 - P.L. 111-152: The Health Care and Education Reconciliation Act
 - P.L. 111-159: TRICARE Affirmation Act
 - P.L. 112-9: The Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act
 - P.L. 112-240: American Taxpayer Relief Act ("Fiscal Cliff deal")

- Structure of the Act
 - Health Care Coverage (Titles I & II)
 - Health Care Delivery & Payment Reform (Title III)
 - Prevention and Public Health (Title IV)
 - Health Care Workforce (Title V)
 - Fraud and Abuse (Title VI)
 - Medical Technology (Title VII)
 - Community Living Assistance (Title VIII) *(Repealed 1/1/13)*
 - Taxes and Fees (Title IX)
 - Amendments (Title X)

Move Towards Universal Coverage



Insurance Market Reforms

- New Private Insurance Market Rules
 - Exclusions for pre-existing conditions prohibited
 - For children in 2010
 - For adults in 2014
 - Dependent coverage extended to 26 years of age (2010)
 - Lifetime limits prohibited (2010)
 - Annual limits restricted (2010), then prohibited (2014)
 - Prohibition on rescissions (2010)
 - Medical Loss Ratio: Reporting (2010); Restricted (2011)
 - Guaranteed issue and renewal rules (2014)
 - Adjusted community rating rules limit variations in premiums to region, tobacco use, age, and family composition (2014)
 - Gender discrimination prohibited

Insurance Market Reforms

- New Insurance Plan Options
 - Temporary high-risk health insurance pool (2010 - 2014)
 - Health Care Cooperatives (“Co-Ops” – Consumer Operated and Oriented Plans) (2013)
 - Non-profit member-operated health insurance companies created through loans and grants
 - The feds have awarded a total of \$1,980,728,696 in low-interest loans to 24 non-profits offering coverage in 24 states.
 - Multi-state health plans (2014)
 - Health Choice Compacts (2016)

Insurance Market Reforms

- State Insurance Oversight and Consumer Assistance
 - Review of Health Plan Premiums (2010)
 - Grants have been offered annually since 2010; most recent round – “Cycle IV” – was awarded 9/19/14
 - State Consumer Assistance Programs (2010)

Health Insurance Exchange (HIX)

- Electronic Market Place for Purchasing Insurance
 - State-based; Multi-state option; May be administered by gov't agency or non-profit
 - State gov't opt-out provision (fed gov't will then establish state's exchange).
 - For individuals (2014) and small business (2015)
 - Federal subsidies for individuals will be applied through the exchange
 - Interface with State's Medicaid eligibility and enrollment system required
 - Large businesses allowed to participate starting 2016
 - Required to be self-sustaining (2015)
- Grants to states for planning and implementation (2010)

Health Insurance Exchange

- 37 States use the Federally Facilitated Marketplace (FFM)
- Alaska
 - Has had 20,897 individuals select a plan on the FFM for 2015 (thru Feb 15); 12,890 had selected a plan in 2014 thru open enrollment.
 - 89% of enrolled Alaskans are receiving premium tax credit subsidies
 - Had the greatest percentage increase from 2014 and now has the highest premiums in 2015 on the FFM

| Of the 37 States utilizing the FFM | Average monthly Premium |
|------------------------------------|-------------------------|
| Alaska (highest) | \$652 |
| Wyoming (2 nd highest) | \$558 |
| Utah (lowest) | \$250 |
| 37 State Average | \$374 |

Individual Mandate

- Individuals must have a qualified health plan or pay a penalty
 - Tax penalty phased-in
 - 2014: \$95/year or 1.0% of household income (whichever is greater)
 - 2015: \$325/year or 2.0% of household income
 - 2016: \$695/year or 2.5% of household income
 - Certain exemptions apply
 - Financial hardship
 - Religion
 - American Indian/Alaskan Native
 - Lowest cost option > 8% of income

Individual Subsidies

- **Premium Support** (Advance Premium Tax Credits)
 - For purchase of insurance through the Exchange
 - For individuals/families with incomes between 100% (133% in Medicaid expansion states) and 400% FPL
 - If employer does not offer minimal essential coverage or employee share is > 9.5% of income
 - Amounts tied to cost of plan; set on sliding scale based on income level
- Cost sharing subsidies for those between 100%-400% FPL
- 2015 Federal Poverty Level (FPL) Guidelines for Alaska:

| | 100% | 133% | 400% |
|-------------|----------|----------|-----------|
| Individual | \$14,720 | \$19,578 | \$58,880 |
| Family of 4 | \$30,320 | \$40,326 | \$121,280 |

Latest Legal Challenge



- King v. Burwell:
 - Challenging the IRS rules allowing issuance of premium tax credit advances through the Federally Facilitated Marketplace
 - Oral Arguments will be heard March 4; Decision expected in June
 - Impacts 37 States, including Alaska
 - Implications if federal government loses? Contingency plan for Alaska?

State Innovation Waiver

- State Innovation Waiver (section 1332)
 - January 1, 2017 effective date
 - States may request waiver of every major coverage component of ACA, including exchanges, benefit packages, and individual and employer mandates,
 - And
 - Receive in aggregate the annual amount of all federal subsidies
 - States must demonstrate they will
 - Provide comparable coverage and protections
 - Cover the same proportion of the population
 - Provide the same level of affordability for individuals
 - Not increase the federal deficit

Medicaid Expansion

- State option to expand eligibility to all individuals/ families under 65 years of age up to 133% FPL (2014)
 - Fed match (FMAP) funding contribution 100% until 2017
 - State share phased in 2017-2020 (max 10%)
 - No deadline for expansion decision; option to discontinue expansion at a later date
 - State Innovation Waiver alternative (2017)
- Eligibility determination – States required to:
 - Convert to Modified Adjusted Gross Income (MAGI) for eligibility determination for all eligibility groups, not just expansion population, effective 1/1/14
 - Coordinate eligibility determination with the Health Insurance Exchange

Medicaid Expansion: State Decisions

- State Medicaid expansion decisions, as of February 2015:
 - 28 States (+ WA DC) have expanded Medicaid eligibility under ACA, of those
 - 23 States have expanded under ACA criteria
 - 5 States have approved waivers from CMS to implement an alternative model:
 - Arkansas, Iowa, Michigan, Pennsylvania, Indiana
 - 3 States have expansion waivers pending:
 - New Hampshire, Tennessee, Utah

Employer Mandate (delayed to 2015; phased in to 2016)

- < 50 employees: Exempt
- > 50 employees - if 1 or more employee receives subsidy:
 - And employer does not offer coverage, employer required to pay fee of \$2,000/FTE (1st 30 FTEs excluded)
 - And employer provides coverage, employer required to pay fee of \$2,000/FTE or \$3,000 per subsidized employee (whichever is less)
- > 200 employees: Required to auto-enroll new employees
- Provide voucher to employees with incomes less than 400% FPL who chose to participate in Exchange
- Report value of health care benefits on employees' W-2 (2011)
 - IRS issued notice making this requirement optional for large employers (>250 employees) until 2012 and for small employers until 2013.

Employer Subsidies

- Tax Credit (2010)
 - For businesses with ≤ 25 employees and average annual wages $< \$50,000$
- Temporary Early Retiree Reinsurance Program (2010 - 2014)
 - Employers reimbursed 80% of retiree claims between \$15,000 and \$90,000 until 2014

Health Care Delivery

- Evidence-Based Practice (Comparative Effectiveness Research)
 - New non-profit Patient-Centered Outcomes Research Institute was established Sept 2010
- Quality Improvement (National Strategy)
 - National Health Care Quality Strategy report was issued March 2011
- Care Coordination and Service Integration
 - Community-Based Care Transitions Program
 - 82 organizations in 34 states participating as of Jan 15 2013
 - Primary Care & Behavioral Health Service Integration
 - *Grants awarded to Alaska Island Community Services (Wrangell) and Southcentral Foundation*
 - Health Care Innovation Challenge
 - *PeaceHealth Ketchikan Medical Center awarded \$3,169,386 in June 2012 for a 3-year project to improve primary care coordination for patients with chronic disease in rural SE Alaska.*
- Trauma System Enhancement (*funds not appropriated*)

Health Care Delivery

- Enhanced funding for Community Health Centers
 - *Capital Development Grants: A total of \$13,185,878 was awarded to Community Health Centers in Alaska during FFY 2011 and 2012.*
 - *Expanded Services Supplemental Funding: A total of \$6,809,616 was awarded to Community Health Centers in Alaska during FFY 2012 and thru the first quarter of FFY 2013.*
 - *New Access Point grants awarded in Alaska in FFY 2014: 6 grantees received a total of \$3,980,292 to add 18 new sites to serve nearly 16,000 new patients*
- Primary Care Enhancement
 - Medicare 10% bonus to primary care physicians (2011–2015)
 - Medicaid Medical Home State Plan Option (90% FMAP for 2 years) (2011)
Alaska Medicaid program will wait until medical home program fully operational to exercise option, as there is no expiration date on the option, and the 2-year clock on the enhanced FMAP starts ticking as soon as the State's application is approved by the feds.
 - Increase Medicaid payment to Medicare rate (*n/a in AK*)

Health Care Delivery

- Quality Measurement

- Medicaid Adult Quality Grant to Measure & Improve Quality of Care in Medicaid
 - Funding opportunity released July 2012 for 2-year grant to support State Medicaid agencies in developing staff capacity to collect, report, and analyze data on the Initial Core Set of Health Care Quality Measures for Adults Enrolled in Medicaid
 - *Alaska Medicaid program submitted application, but was not funded. 27 grants were awarded December 21, 2012 in the competitive grant process.*

Payment Reform

- Center for Medicare & Medicaid Innovation (2011)
- Multi-Payer Advanced Primary Care Practice Demo (2011)
- Medicare Payment Reform ACA Provisions
 - Independent Payment Advisory Board (2011; 1st rpt due 2014)
 - FQHC Advanced Primary Care Provider Demo (2011)
 - *Anchorage Neighborhood Health Center awarded demonstration grant; \$6 PMPM for providing medical home services for Medicare enrollees*
 - Hospital readmission reduction program (2012)
 - *Effective Oct 2012 DRG payment rates will be reduced based on a hospital's ratio of actual to expected readmissions, starting at 1% payment reduction in FFY 13, increasing to 2% in FFY 14, capped at 3% for FFY 15 and beyond. Policy will apply to heart attack, heart failure and pneumonia in FFY 13, and expand in FFY 15 to include COPD, CABG, PTCA and other vascular conditions.*
 - Hospital value-based purchasing program (2012)
 - *Effective Oct 2012 hospitals will receive incentive payments based on their performance for certain quality measures. Incentives will be based on both attainment and improvement.*
 - Medicare Shared Savings Program (Accountable Care Organizations) (2012)
 - CMS approved 260 ACO organizations between May 2012 – Jan 2013 (none in AK). Many more expected in 2013.
 - Bundled payment (episodes of care) pilot (2013)
 - CMS announced January 31, 2013 over 500 health care organizations enrolled to participate in the Bundled Payments of Care Improvement initiative, which will bundle payments for certain episodes of care. Alaska is one of six states that does not have a participating health care organization.
 - Physician fee schedule value-based payment modifier (2015)
 - Payment adjustments for hospital-acquired conditions (2015)

Payment Reform

- Medicaid Payment Reform ACA Provisions
 - Non-payment for healthcare-acquired conditions (2011)
 - Pediatric ACO demonstration (2012)
 - Hospital bundled payment (episodes of care) demonstration (2013)
 - State Innovation Models Initiative
 - February 21, 2013: CMS Innovation Center awarded nearly \$300 million in grants to 25 states to support development and testing of models for multi-payer payment and health care delivery system reform.
 - December 16, 2014: CMS Innovation Center awarded \$660 million in grants to 32 states in “Round Two” of this initiative to design and test new payment and delivery models.

Prevention & Public Health

- National Prevention Council and Fund
- Coverage of clinical preventive services
- Nutrition labeling on menus
- Public Health Infrastructure
 - *Strengthening Public Health Infrastructure for Improved Health Outcomes: Three organizations were awarded 5-year grants of \$250,000 each (per year; FFY 11-15) – Alaska Division of Public Health/DHSS, Alaska Native Tribal Health Consortium, and the Southeast Alaska Regional Health Consortium. GRANTS DISCONTINUED for the last year.*
- Community wellness grants
 - *Community Transformation Grants: Two organizations have been awarded a total of \$1,385,856 since 2011 to implement community-level programs that prevent chronic disease – the Southeast Alaska Regional Health Consortium and Yukon-Kuskokwim Health Corporation.*
- Healthy lifestyles incentives (Medicare and Medicaid)
- Immunization program
- Epidemiology & PH laboratory capacity
- Childhood obesity demonstration project
- Maternal and child health programs
 - *Maternal, Infant, and Early Childhood Home Visiting Program: Four organizations have been awarded a total of over \$10 million starting in 2010 - Alaska Division of Public Health/DHSS, Southcentral Foundation, Fairbanks Native Association, and Kodiak Area Native Association.*

Health Care Workforce

- National HC Workforce Commission
- National health care workforce assessment
- National Health Service Corps increased
 - *Alaska DHSS awarded a \$375,000 State Loan Repayment Program grant in 2012*
- State health care workforce plans
 - *Alaska Dept of Labor and WF Development awarded \$150,000 in FFY 2010, which was used to support AK Health Workforce Coalition and development of their Action Plan*
- Health Profession Opportunity Grants for TANF Recipients; and for Tribes
 - *Cook Inlet Tribal Council, Inc, awarded \$1,463,627 (2010), \$1,494,689 (2011), and \$1,443,235 (2012) to implement Tribal HPOG program in SC Alaska*
- Recruitment and retention programs
- Training and education programs
 - Rural physician training grants
 - Area Health Education Center (AHEC) expansion
 - GME (graduate medical education) improvements
 - Advanced Education Nursing Traineeship
 - *UAA awarded \$255,813 in 2012*

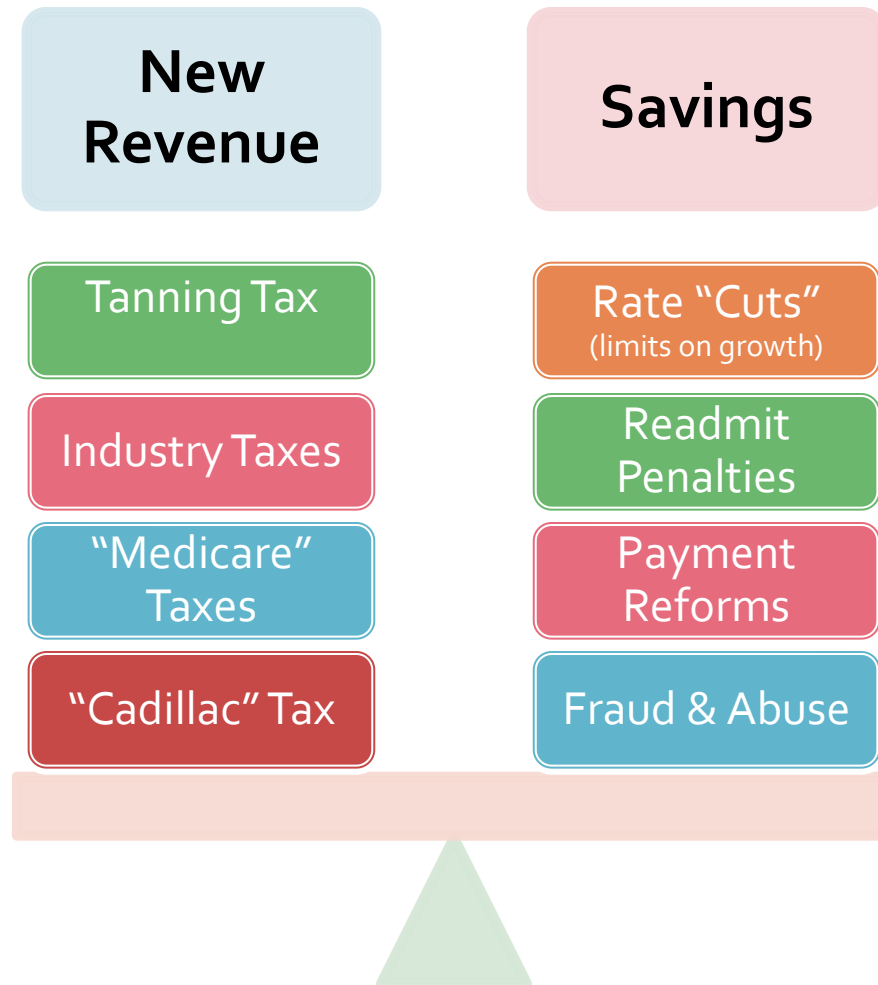
Fraud & Abuse

- ACA includes 32 sections on health care fraud and abuse and program integrity, most took effect during 2011
 - New Provider Enrollment Processes
 - Data Sharing Across Federal Programs
 - Overpayment Recovery Expanded
 - Increased Penalties
 - Disclosure of Financial Relationships Required
 - Compliance Plans Required

Fraud & Abuse

- New Medicaid RAC (Recovery Audit Contractor) Program
 - *Multi-State RAC contract awarded June 2012 to HMS Healthcare; contract effective July 1, 2012.*
- National Background Check Program for Long Term Care Facilities and Providers
 - Program to identify efficient, effective and economical procedures for long term care facilities and providers to conduct background checks on prospective direct patient/resident access employees.
 - *Alaska Department of Health & Social Services, Section of Certification & Licensing, Background Check Program was an initial pilot state under this program, and was awarded a total of \$1.5 million.*

How the Act Pays for Itself



New Fees & Taxes

- 10% sales tax on indoor tanning (2010)
- \$2.8 billion annual fee on pharmaceutical industry (2012; increasing over time)
- 2.3% sales tax on medical devices (2013)
 - Glasses, contacts, hearing aids exempt
- Medicare payroll tax increased from 1.45% to 2.35% for individuals >\$200K and couples >\$250K; no increase to employer share (2013)
- New 3.8% Medicare tax on unearned income for individuals >\$200K and couples >\$250K (2013)
- Tax deduction for employers receiving Medicare Part D retiree subsidy eliminated (2013)
- \$8 billion annual fee on health insurance industry (2014; increasing over time)
- Excise tax on employer-sponsored high-value insurance plans (2018)
 - “Cadillac Plans” tax imposed on plans valued at more than \$10,200 for an individual plan and \$27,500 for family coverage

Other Provisions

- New IRS Requirements for Tax-Exempt Hospitals (2012)
 - Adopt and implement written financial assistance and emergency medical care policies
 - Limit charges for emergency or other medically necessary care
 - Comply with new billing and collection restrictions
 - Conduct a community health needs assessment at least once every three years (effective for tax years beginning after March 23, 2012)
- Medicaid Community First Choice Option (2012)
 - Provides 6% enhanced FMAP for states that offer home and community-based personal attendant services and supports.
 - Final regulation implementing the option released 4-27-12 (requires nursing home level of care need for eligibility)
 - *Alaska Division of Senior & Disability Services awarded a contract to HCBS Strategies (a national consulting firm with expertise in Medicaid long term care services) to conduct a feasibility study and to propose a potential program design.*

Timeline

■ 2010

- Smallest employers (≤ 25 FTEs) eligible for tax credits
- Medicaid Maintenance of Effort imposed (March)
- Temporary high-risk insurance pool program established (June)
- Temporary reinsurance program for early retirees established (June)
- Feds establish website to facilitate insurance information (July)
- Grants to states for
 - Exchange planning and implementation
 - Assistance with insurance premium review requirements
 - Establishing an office of health insurance consumer assistance
 - Numerous public health and workforce programs
- Insurance Market Reforms Implemented (new plans for plan years beginning after 9/23/10)
 - Pre-existing condition exclusion prohibited for children
 - Lifetime limits prohibited; annual limits restricted
 - Prohibition on rescission of coverage
 - Dependent coverage to 26 years of age
 - Medical loss ratio reporting required
 - Coverage of clinical preventive services required

Timeline

■ 2011

- Medicaid Options & Requirements
 - States eligible for 1% FMAP increase if certain preventive services covered with no cost-sharing
 - Required to cover tobacco cessation for pregnant women
 - New state option for home and community-based services for disabled
- Insurance Market Reforms
 - Medical Loss Ratio requirement imposed: Large group plans required to spend 85% of premium revenue on medical claims (80% for insurers covering individuals and small business)
- New Fraud & Abuse Rules Implemented

■ 2012

- Health Care Delivery System & Payment Reforms
 - Accountable Care Organizations (ACOs): Medicare Shared Savings Program implemented.
 - Medicare Value-Based Purchasing Program (hospital pay-for-performance on certain quality metrics implemented October 2012)
 - Medicare payments to hospitals reduced for excess preventable hospital readmission rates.
- Insurance Market Reforms
 - Uniform summary of coverage and benefits must be provided to all applicants and enrollees

■ 2013

- U.S. DHHS determines State readiness to establish Exchange
- Fed regulations for health care choice compacts issued

Timeline

■ 2014

- Insurance Exchanges implemented
- Medicaid changes implemented
 - Optional Expansion to 133% FPL took effect
 - Required to implement enrollment simplification and coordination with Exchanges
 - Required to offer premium assistance for employer-sponsored insurance.
 - DSH funding reduced
- States required to establish at least one reinsurance entity
- Insurance Market Reforms Implemented
 - Pre-existing condition exclusion prohibited for adults
 - Guaranteed issue and renewal required
 - Adjusted community rating rules take effect
- Individual mandate and subsidies implemented

Timeline

■ 2015

- Insurance Exchanges must be self-sustaining
- Large employer mandate (>100 FTEs; must provide coverage to at least 70% of FTEs)
- Medicaid programs required to begin annual enrollment reporting
- States eligible for 23% FMAP increase on regular CHIP match (FFY 16 – FFY 19)

■ 2016

- Employer mandate takes full effect (>50 FTEs; must provide coverage to at least 95% of FTEs)
- Health Care Choice Compacts may take effect

■ 2017

- States will begin funding share of Medicaid expansion
- States may operate an alternative program in lieu of federal coverage reforms if waiver obtained in previous year
- States may allow large companies (>100 employees) to participate in Exchange

■ 2018

- Excise tax on high-value health insurance plans imposed (“Cadillac Tax”)

Opportunities for Alaska Medicaid and Health Care Reform?

- Multi-State Exchange Provision
 - Partner with other State to provide a state-based health insurance exchange/marketplace for Alaska?
- Premium Rate Review Grant? *(if a new round of grant funds are made available)*
 - May be used to support development of an APCD
- Health Insurance Exchange Grant? *(if a new round of grant funds are made available)*
 - Might be a consideration if fed gov loses King v Burwell – if new funds are made available and could be used for planning for participation in a multi-state exchange.
- State Innovation Waiver
 - To redesign insurance and delivery models
 - Takes effect 2017
- State Innovation Models Grant? *(if a new round of grant funds are made available)*
 - To design and test payment reform models

Thank You

For More Information Please Visit:

Alaska's federal health care law information website at:
<http://hss.state.ak.us/fedhealth/>

Alaska Health Care Commission's website at:
<http://hss.state.ak.us/healthcommission/>